United States
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Foreign Agricultural Service

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Foreign Agriculture

A Business Perspective on Exporting to Egypt

Marketing News

U.S. Wheat Team Cultivates Central American Customers

A recent visit by **U.S. Wheat Associates (USW)** representatives has helped to strengthen ties between that organization and three Central American countries. The purpose of the visit was to discuss USDA credit programs and USW's technical assistance programs. In Guatemala, the officials reviewed USDA credit programs aimed at easing economic problems in that country. In El Salvador they met with wheat millers to discuss a strategy to increase credit funding. And in Panama, the team discussed plans for a proposed baking school to train regional bakers in new technologies, possibly leading to increased wheat product production.

China-U.S. Wheat Project Inaugurated

U.S. Wheat Associates, along with China's Ministry of Commerce and the Foreign Agricultural Service (FAS), recently opened the most advanced wheat flour mill in Beijing, China, making it the largest U.S. cooperator project to date. The three were partners in the construction of the six-story facility.

China is now in the middle of a massive modernization program for its flour mills as a result of rising consumer incomes in recent years and increased exposure to the wheat-based products of other countries. The model flour mill is working toward standardizing flour specifications for Chinese wheat foods.

The mill has a capacity of 150 tons of wheat per day, which is of average size, but it will serve as a prototype of design for mills throughout China. In addition, it will be used as a training facility. The extraction rate of flour retrieved from wheat will be lowered from China's industry average of about 85 percent to about 75 percent. The lower rate will be one step in the process of providing the higher quality flour consumers are demanding.

USFGC Seeks New Ties to Soviet Market

A recent vist by **U.S. Feed Grains Council** (USFGC) officers to the Soviet Union could result in new Council programs in that country, according to Council President Darwin E. Stolte, speaking at the conclusion of a 10-day market assessment mission by members of the Council. The objectives of the mission were to re-establish contact between the Council and various Soviet government agencies that are involved in feed grain importing, processing and utilization, and to discuss opportunities for programs with Soviet officials. The mission also helped to familiarize the Council officers with both the opportunities for and constraints to feed grain market development in the Soviet Union and Eastern Europe.

During the 1970s, the USFGC established contact with officials in the Soviet Union and had some programs there. However, these programs were frozen in 1980 when the United States imposed a partial embargo in U.S. grain sales to the Soviets.

The Soviet Union has in the past received considerable attention as a market for U.S. corn and other grains, yet it has been an erratic purchaser of these products. Therefore, USFGC programs, which are designed to generate long-term demand for U.S. feed grains, could play a role in developing steadier growth in Soviet purchases.

MEF To Consolidate European Offices

The **U.S. Meat Export Federation (MEF)** will consolidate its European offices by expanding its office in Hamburg, West Germany, and closing its office in London.

Willem Zerk, who heads the Hamburg office, has been named European Director. Zerk, who joined the MEF in 1980, has been coordinating market development trade servicing programs throughout West Germany and the German Democratic Republic, the Benelux countries, Australia, Switzerland, Spain and Portugal. As European Director, he will oversee all of MEF's programs in Europe and the Middle East.

"MEF will continue conducting market development activities in the United Kingdom and the surrounding regions," Vice President of Marketing Don Hellbusch said. "We will maintain our presence in London through a consultant."

Buddy Yeiser, who has represented MEF in London since 1983, will become a regional director for the USA Poultry and Egg Export Council, Inc., coordinating market development activities in the United Kingdom, Ireland and Africa.

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Managing Editor
Geraldine Schumacher
(202) 447-7115

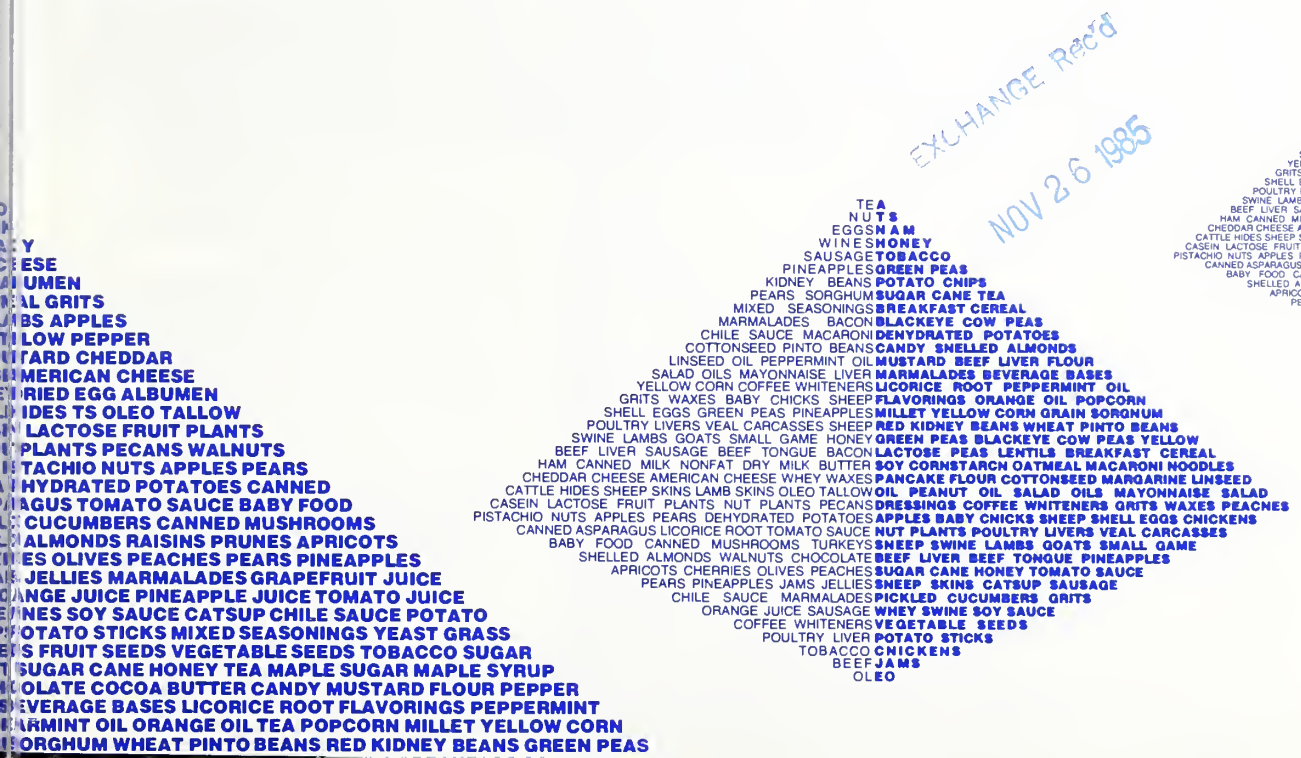
Design Director
Vincent Hughes

Writers
David Garten
Lynn K. Goldsbrough
Edwin N. Moffett
Maureen Quinn
Aubrey C. Robinson

Associate Designer
Sylvia Duerkson

Features

Departments



Exporters Find Challenges, Rewards In Egyptian Agricultural Market

By Daniel K. Berman

With its large population and lack of arable land, Egypt is a natural market for exporters with the right products at the right prices. But tapping this market can be time consuming and often frustrating unless sellers understand how the complex Egyptian import trade works.

Partly by law and partly by custom, Egypt's trade is divided between the public and private sectors. However, Egypt's economy is dominated by the public (or government) sector, which likewise controls most agricultural trade.

Public Sector Has Broad Role

The public sector's mandate includes a number of social objectives, such as provision of employment and affordable commodities, as well as the more traditional economic functions.

Losses incurred by public sector firms are charged to the government, which increasingly is unable to handle the monetary deficits. This difficult operating environment greatly influences the kinds of products imported by the public sector.

The most important public sector organization involved in agricultural imports is the General Authority for Supply Commodities (GASC), which is the purchasing arm of the Ministry of Supply and Home Trade.

GASC actually purchases on behalf of a number of specialized government receiving companies. However, GASC does not trade in "industrial" products such as cotton, tobacco, flax and wood. These products are handled by other public sector entities.

Distribution Channels Vary

The distribution channel for a commodity is closely linked to the private or public status of the importer.

Food commodities imported by the public sector go from receiving companies either to other companies for further processing or directly to government shops.

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These shops, called cooperatives (Gamaya in Arabic), are the most important retail outlets, and exemplify the country's food policy, which aims to provide affordable food for all Egyptians.

Both domestic and imported items are sold. Prices are set administratively, and often have no relation to the world price or the cost of production.

This necessitates subsidies for many items, which often results in inconsistent availability—with the exception of bread.

Imported wheat is transferred to public sector mills, which supply domestic and imported flour to both public and private bakeries. In turn, the bakeries sell bread at prices which reflect a heavy government subsidy.

Private Retailers Important Outlets

Private importers provide an important complement to the public food distribution system, despite the government's ambivalent attitude towards them.

Egypt has a large number of private retailers, mainly in urban areas. These retailers usually are grocers, butchers, or other specialty shop operators, and they

represent important outlets for many imported products in a country where supermarkets are rare.

The private trade generally serves the sizable group that is willing to pay unsubsidized prices for higher quality and greater variety.

Nonfood Items Divided

Nonfood items also move through diverse channels. Feed, which is in critically short supply, is produced by private and public sector mills, which sell at controlled prices.

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Egypt at a Glance

Government

Official name: Arab Republic of Egypt.

Capital: Cairo.

National holiday: National Day, July 23.

Land

Some 1,001,449 square kilometers—the size of Texas and Oregon combined; 96.5 percent desert, waste or urban; 2.8 percent cultivated; 0.7 percent inland water.

People

Population: 48,305,000 (July 1985). Average annual growth rate 2.6 percent.

Ethnic divisions: 90 percent Eastern Hamitic stock; 10 percent Greek, Italian and Syro-Lebanese.

Language: Arabic (official); English widely understood by educated classes.

Literacy: 40 percent.

Labor force: 13.4 million;45-50 percent agriculture,13 percent industry, 11 percent trade and finance, 26 percent services and other.

Economy

GNP: $20 billion (1983; based on market exchange rate of 1.23 Egyptian pounds =US$1); $437 per capita.

Agriculture: Main cash crop—cotton; other crops—rice, onions, beans, citrus fruit, wheat, corn and barley. Not self-sufficient in food.

Major industries: Textiles, food processing, chemicals, petroleum, construction and cement.

Exports: $3.6 billion (f.o.b., 1984 est.); crude petroleum, raw cotton, cotton yarn and fabric.

Imports: $9.4 billion (c.i.f., 1984 est.); foodstuffs, machinery and equipment, fertilizers and wood.

Major trade partners: United States and European Community.

Most imported feed ingredients (mainly corn) are supplied by the government at subsidized prices, except for soymeal used by the private mills. Soybeans may be imported crushed, and distributed by the public or private sector.

Tobacco is imported by the public manufacturing company, which sells its cigarettes at controlled prices. Likewise, imported cotton is supplied by a government agency to spinners for domestic consumption.

Wood product imports are almost evenly divided between the public and private sectors.

In addition, a specialized market exists for supplying the important hotel sector. As foreign exchange earners, hotels are allowed to import items otherwise not permitted, such as high quality beef and "luxury goods."

How Imports Happen

There is no similarity between the import methods of the two sectors. While direct purchases are possible, most government importation is carried out through tenders or supply agreements.

Tenders generally are international in scope, with payment in cash. Usually they are published several weeks in advance of opening. In order to participate, an exporter must be represented in Egypt by a local agent, who can provide specifications.

As an alternative to tenders, trade agreements are becoming increasingly common. Traditionally, they have been government-to-government supply agreements with state export entities. Recently, however, GASC has made agreements with European industry organizations.

GASC officials have expressed interest in increasing trade with western countries under such contracts, and have invited U.S. producer organizations to negotiate similar supply agreements.

Import Licenses Required

Private trade occurs under the watchful eye of the government. Several abrupt changes in the regulations in recent years have had a severely disruptive effect.

Import licenses, issued by the Ministry of Supply and Home Trade, are required to privately import most food products.

Factors taken into account in issuing licenses include local availability of the item, whether it is "needed" in Egypt, its price compared to the "world" price, and perceptions about a product's quality and ability to arrive in good condition.

These criteria are extremely subjective, and rejections based on a decision that something is an "unnecessary luxury" or "too expensive" or that it "doesn't ship well" are common.

Importers whose licenses have been rejected can resubmit their applications, but they have no association to represent their common interests to the government.

Trading Within the Law

Once a license is issued, the importer is responsible for obtaining the money to open a letter of credit. Usually this means going into the "open market", where the exchange rate is based on supply and demand, but is always above the "official" rate. In addition to paying import duties (which range from 0-25 percent for most imported items), the importer is subject to Law 119.

This law is intended to protect the consumer from exploitation by regulating the price of privately imported food products through the marketing chain.

Although enforcement is not uniform, Law 119 regulates profit margins of 9 percent to the importer, 6 percent to the wholesaler and 15 percent to the retailer.

The problem is that the importers' costs are calculated on the basis of the official exchange rate, which understates their actual costs and can make it impossible to trade profitably within the law.

The government is now reviewing the private importation system. Proposed changes include replacing the import license system with lists of duties ranging from nil to prohibitive, depending on the item.

Import Product Regulations

Import product regulations in Egypt are established and administered by a number of public agencies. In addition, public sector imports are inspected for conformation to specifications.

Label requirements can vary according to the product, and details can be obtained from the importer. However, in general, labels must include the following:

— Product name in Arabic.
— Name of producer or exporter.
— Name of Egyptian importer.
— Country of origin.
— Net weight.
— Listing of ingredients (also fat and protein percentages for beef products).
— Production and expiration dates.

All of these items except production and expiration dates may be added by the importer following arrival.

All meat products must be from animals certified as slaughtered according to Islamic (Halal) rites. Special veterinary regulations govern the trade in live animals, which has increased markedly in recent years.

Upon arrival, imports are inspected by representatives of the Ministries of Agriculture and/or Health, whose decision is final. For this reason, some traders take out "anti-rejection" insurance.

Characteristics of the Market

A number of characteristics, notably a large population with a low per capita income, distinguishes Egypt from most other Middle Eastern countries. Likewise, the Egyptian market has particular characteristics which need to be taken into account by exporters.

First, and most important, Egypt is a price-sensitive market. This is especially true of the public sector, which suffers from a chronic shortage of foreign exchange.

Egypt Targeted for Export Enhancement Program Initiative

Egypt, the third largest wheat and wheat flour importer in the world, has been the primary beneficiary of the U.S. Department of Agriculture's export enhancement program thus far.

The program, which was implemented in May 1985, offers up to $2 billion of Commodity Credit Corporation (CCC) inventory as bonuses to U.S. exporters to expand sales of specified agricultural commodities in targeted markets over the next three years.

Through the end of August, USDA had announced two export initiatives for Egypt:

—the first offered wheat as a bonus for sales of up to 600,000 metric tons of wheat flour (800,000 tons wheat equivalent);

—the second provided the opportunity to sell up to 500,000 metric tons of wheat to Egypt, also including a CCC bonus in the form of wheat.

Egypt tendered for offers from U.S. exporters for 175,000 metric tons of U.S.-produced wheat flour and 500,000 tons of wheat. CCC has accepted bids from four exporters for the wheat flour and bids from two exporters for the wheat.

Egypt annually imports 4 to 5 million tons of wheat and 1.8 to 2 million tons of flour. However, except for usual Public Law 480 exports, Egypt has purchased no U.S. wheat since the fall of 1984 because of competitive conditions.

At times, subsidized European Community wheat has been offered to Egypt at prices as much as $15 to $20 a ton below U.S. wheat on a cost and freight basis.

The CCC bonus will enable U.S. exporters to compete at commercial prices in the Egyptian market in response to future Egyptian tenders for wheat and wheat flour.

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Offers often are evaluated in terms of price alone, without consideration of other factors. While Egyptians know and appreciate the quality of U.S. agricultural products, it is seldom a selling point that can overcome serious price competition.

Also, there are limitations on what most consumers can or will spend in the private market. For its part, the public sector is concerned with minimizing its subsidy outlay, hence price is the dominant factor.

Market Competition

Since Egypt buys from a large number of countries, competition for the market often is keen.

Of perhaps most concern to U.S. exporters is the European Community (EC). The EC has longstanding commercial ties to Egypt, a natural advantage in freight rates and extremely competitive prices—often made possible through the generous use of export subsidies.

While the dollar is the most common form of payment, other countries are able to sell for less, due to the relative weakness of their own currencies.

Trade Financing Programs

The public sector's lack of foreign exchange is the single greatest obstacle to expanded imports in Egypt. Therefore, provision of credit, available under several U.S. government programs, is a key market development tool.

Both public and private sectors need credit, and aside from price, its availability is one of the few variables that can influence an import decision.

Many private importers must use the proceeds from one import shipment in order to pay for the next. As a result, Egyptian banks do not consider them good risks because they have little collateral to offer.

Egypt is, therefore, a natural candidate for credit guarantees under the GSM-102 program of the U.S. Department of Agriculture.

Products With Potential

Egypt's imports of many agricultural items will increase in line with population growth, estimated at 2.6 percent a year. In addition, because of rising per capita demand and trade policy changes, increased export potential is foreseen for a number of products.

Here is a brief look at export opportunities for the medium term.

Feed grains: A government decision to discontinue its heavy subsidy of imported corn is expected soon and will dramatically alter the feed market. After a period of initial confusion, private importers likely could carry the trade to much higher levels. In addition, a market for complete feeds could develop.

Protein meals: All feed is in short supply, and Egypt is a promising market for such feed ingredients as cottonseed meal and other protein additives.

Soybeans: Existing public sector crushing capacity indicates a demand for several hundred thousand tons of imported soybeans annually for the next several years. Lack of funds is the obstacle to realizing this potential.

Livestock products: Although the United States dominates the considerable trade in beef offals (mainly liver), there is further room for expansion due to strong demand. Other items, such as brains, hearts and tongues, also could be sold, but trade in these items currently is restricted by the government.

Poultry products: U.S. poultry faces strong competition from other suppliers, but specialty items such as chicken and turkey parts and livers have good prospects for increased sales.

Cotton: Egypt is expected to continue to import cotton for domestic use in order to free up additional quantities of Egyptian long-staple cotton for export. U.S. growths are preferred by the officials involved with both trade and spinning.

Forest products: Shipping costs are an obstacle to U.S. exports, but traders believe there are opportunities for additional sales of certain products, such as pitch pine.

Repayment must be assured by the Central Bank of Egypt for public sector imports, and through credit analysis of the private importers' banks.

In both cases, this program has been a valuable trade financing mechanism for Egypt, while at the same time giving U.S. banks the assurance they need to provide credit.

The private sector has imported a number of value-added commodities—some new to market—under GSM-102 credits. The program also provides the competitive edge for U.S. cotton and tobacco.

Another important trade financing program for U.S. exporters is the Commodity Import Program (CIP) of the U.S. Agency for International Development (AID). It is especially attractive because pay-back is in local currency.

The CIP is divided into public and private sector components. The public component consists of large cash transfers to Egypt, which are used to purchase U.S. products according to the Egyptian government's priorities. In recent years, the list of products has included U.S. tobacco, tallow, corn, lentils and soybean meal.

The private program is the Production Credit Project. In order to allow for maximum participation, each recipient is limited to $1 million a year. Examples of U.S. products imported under this program include forest products, soybean meal and seeds.

The Export-Import Bank (EXIM) also has indicated willingness to finance bulk commodity imports to Egypt. This year, for the first time, EXIM offered a line of credit for soybean imports.

The Personal Touch

Although Egypt represents a potentially rewarding market for U.S. exporters, personal visits are essential to the development and continuation of successful business relationships.

As a large agricultural import market, Egyptian importers literally have aspiring exporters standing in line. As a result, unsolicited letters, telexes and company brochures are frequently ignored—not always for lack of interest, but usually because of the sheer press of business.

Exporters should be armed with detailed information about the Egyptian and international markets for their products, price quotations in metric units, details on freight costs, delivery schedules and other marketing data.

Business meetings require adequate time and flexibility for good-humored but tough, long, hard bargaining. But exporters who are willing to invest time, attention and reasonable resources to the Egyptian market can be rewarded many times over.

After agreement is reached in writing, Egyptian buyers will expect reasonably frequent personal follow-up and servicing of the account. Gracious hospitality is a point of honor, and relationships are relaxed and informal. ■

The author, formerly the U.S. agricultural attache in Cairo, is with the International Trade Policy Division, FAS.

Aquaculture: Underwater Feedlots Giving U.S. More Export Mussel

By Dale R. Miller

With rapidly increasing worldwide demand for fish products expected over the next 15 years, export opportunities for U.S. aquaculture products look good.

Aquaculture, the controlled cultivation and harvest of aquatic plants and animals, is used in the United States to produce fish and shellfish, such as catfish, crawfish, trout, baitfish, ornamental fish, oysters, shrimp, clams, mussels and salmon.

Production of farm-raised, inland, freshwater fish and shellfish is part of what is being called the "blue revolution". This revolution is the result of the industry's technological advances spurred on by increased consumer demand for fish and the natural limits of the world's ocean resources.

To assist the industry, Congress passed the National Aquaculture Act (P.L. 96-362) in 1980, to encourage development of aquaculture in the United States.

Fish Farmers Harvest Protein

Fish farming offers an economical, efficient and replenishable source of nutritious, protein-rich food. It enables farmers to maximize the use of land and water resources unsuitable for terrestial agriculture.

Moreover, aquaculture has the potential to produce more protein on less space than traditional forms of agriculture. With today's high performance fish-pond diets, commercially produced fish average a 1.5 to 1 feed conversion ratio impressive even when compared to the frugal diet of the U.S. chicken with a feed conversion ratio of about 2.1 to 1.

Large-scale aquacultural operations have become economically feasible in the United States only recently, but already exist in every state. About 11 percent of the fish and shellfish consumed in the United States—including about 40 percent of the oysters and most of the catfish, crawfish and rainbow trout—are aquaculture products. In comparison, about half of the fish consumed in Israel, over 25 percent in China and India, and about 10 percent in Japan comes from aquaculture.

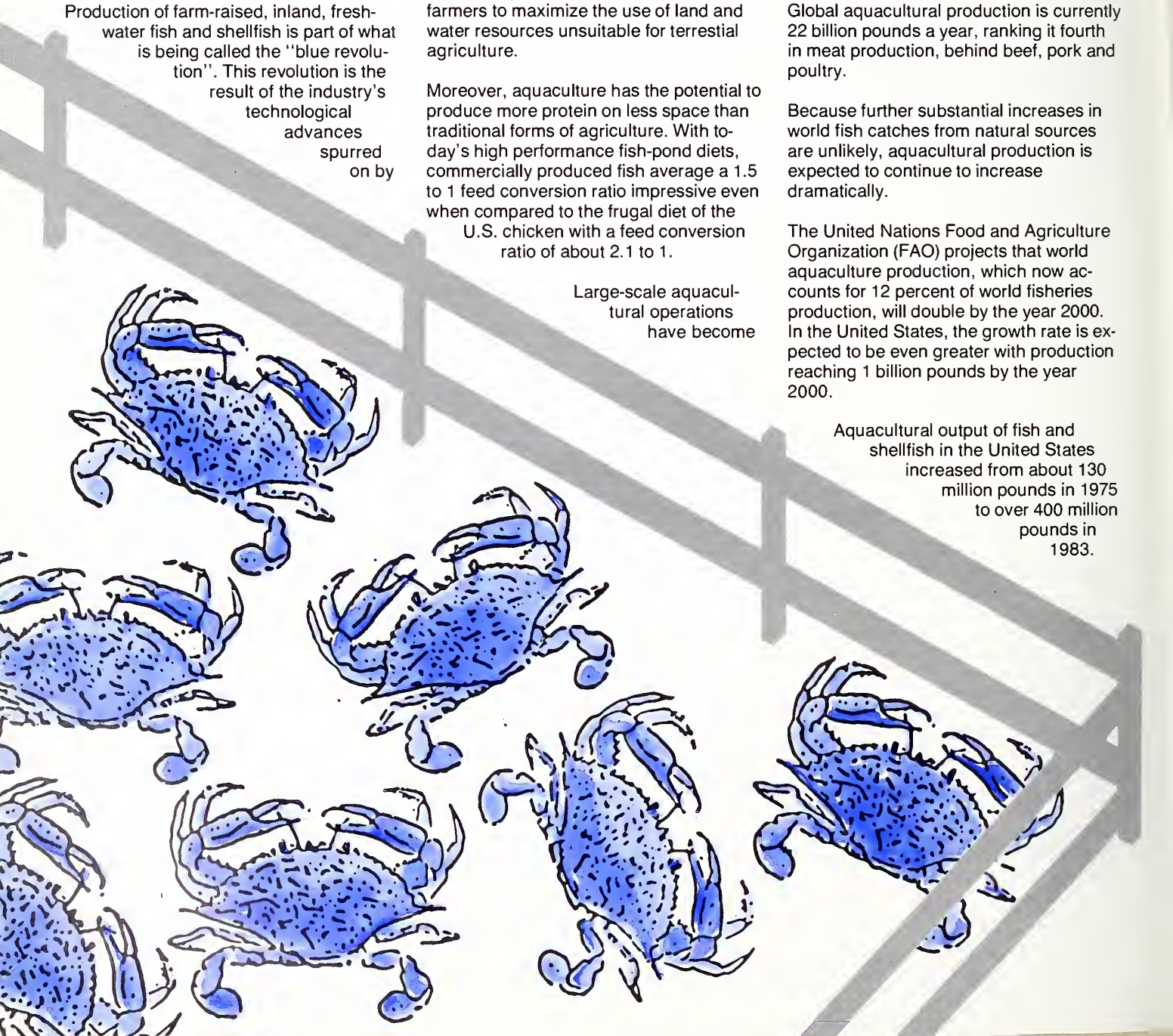
Production Expected To Soar

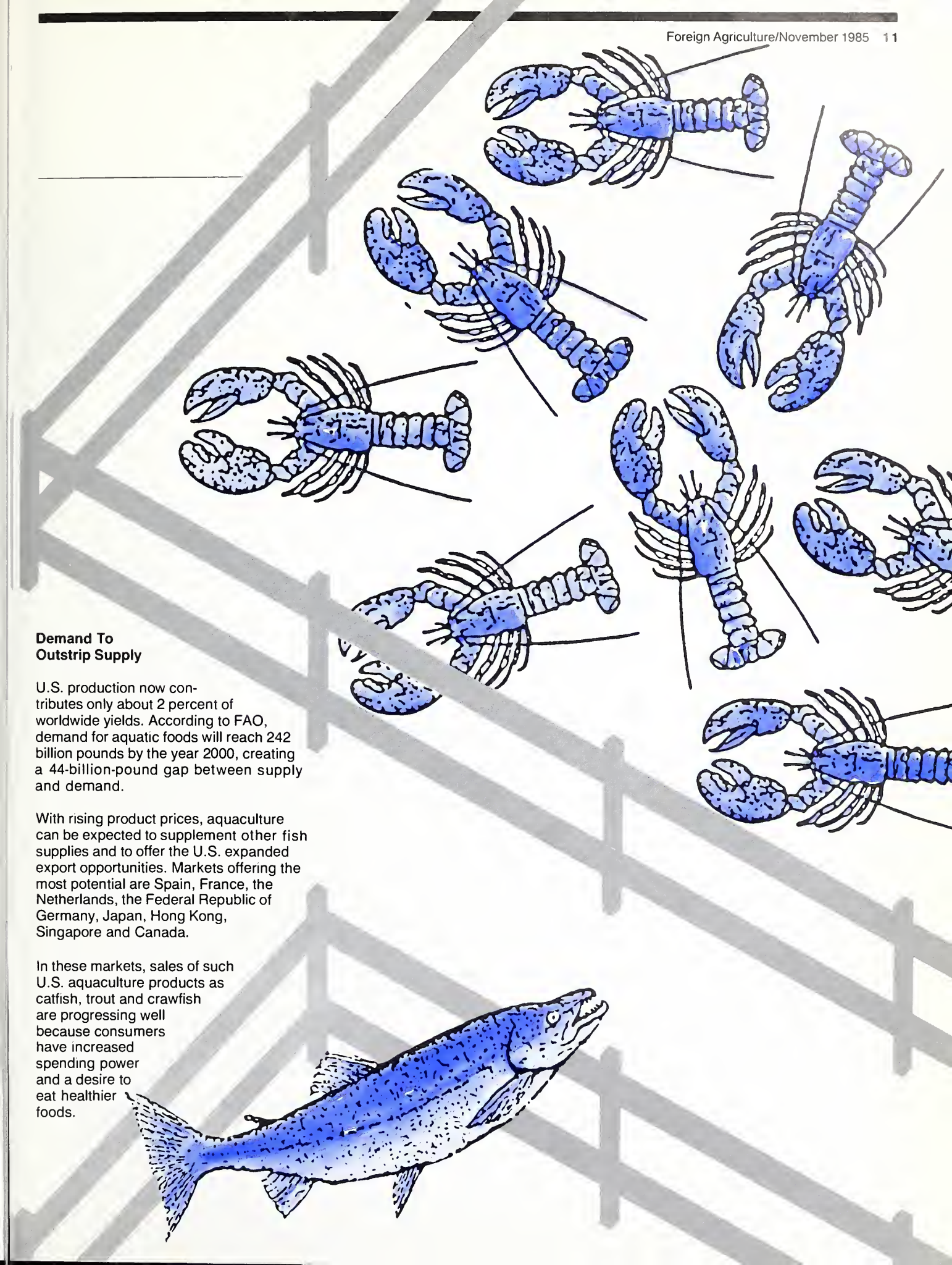
Global aquacultural production is currently 22 billion pounds a year, ranking it fourth in meat production, behind beef, pork and poultry.

Because further substantial increases in world fish catches from natural sources are unlikely, aquacultural production is expected to continue to increase dramatically.

The United Nations Food and Agriculture Organization (FAO) projects that world aquaculture production, which now accounts for 12 percent of world fisheries production, will double by the year 2000. In the United States, the growth rate is expected to be even greater with production reaching 1 billion pounds by the year 2000.

Aquacultural output of fish and shellfish in the United States increased from about 130 million pounds in 1975 to over 400 million pounds in 1983.





Demand To Outstrip Supply

U.S. production now contributes only about 2 percent of worldwide yields. According to FAO, demand for aquatic foods will reach 242 billion pounds by the year 2000, creating a 44-billion-pound gap between supply and demand.

With rising product prices, aquaculture can be expected to supplement other fish supplies and to offer the U.S. expanded export opportunities. Markets offering the most potential are Spain, France, the Netherlands, the Federal Republic of Germany, Japan, Hong Kong, Singapore and Canada.

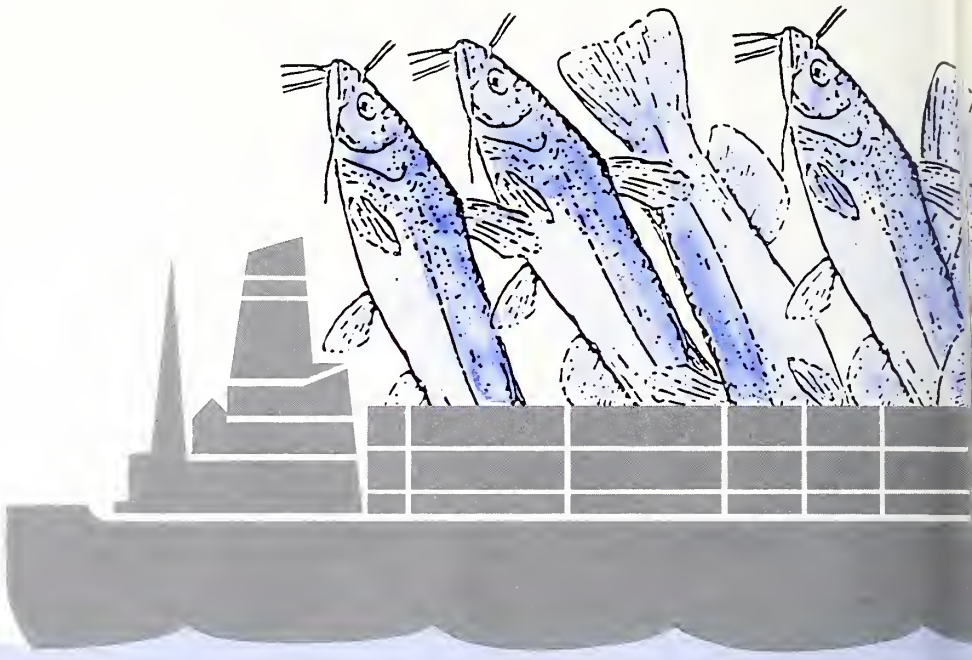
In these markets, sales of such U.S. aquaculture products as catfish, trout and crawfish are progressing well because consumers have increased spending power and a desire to eat healthier foods.

Export Expansion Efforts Planned

The largest constraint to trade for U.S. aquaculture products is a lack of product awareness and knowledge by foreign buyers. Awareness can be expanded through international trade show participation, industry surveys and sales missions.

The U.S. Department of Agriculture's Foreign Agricultural Service (FAS) is developing programs to expand overseas sales of U.S. fresh water aquaculture products.

The U.S. Commerce Department's National Marine Fisheries Service (NMFS) works to increase sales of U.S. marine fish and seafood abroad.



Fishing for Exports: Some Markets To Consider

Japan

Japan, the world's largest consumer of marine products, imports an estimated one-quarter of the world trade in fishery products.

The export potential for U.S. farm-raised fish and shellfish in Japan appears favorable.

Tighter regulations on fishing in distant waters have reduced the availability of white meat fish. Consequently, products which are tasty, competitively priced and geared to the convenience-minded consumer are likely to be well received.

Japanese consumers are familiar with a wide variety of fish, including trout and salmon, commonly used in traditional Japanese dishes such as sushi and sashimi. On the other hand, Japanese catfish has an unfavorable image as greasy and unpalatable. This perception must be overcome for U.S. farm-raised catfish to make inroads into this market.

Federal Republic of Germany

The potential for U.S. aquaculture exports to the Federal Republic of Germany increases with the quality of the product.

The opportunity for sales of frozen salmon is excellent and that for lobster, crawfish, crabs, prawns, shrimp and eel is good. However, market potential for catfish is poor because of lack of consumer recognition. The outlook is also less than favorable for trout because of adequate domestic and EC production.

Imports—except of ornamental and tropical fish—must comply with West German food regulations and are covered by a European Community (EC) market order.

The major constraint facing U.S. exporters is competition from other suppliers. Dealing with fresh or chilled products requires good transportation and mutual trust and reliability between importer and exporter. Often, short-term supply gaps have to be filled and, in such instances, it is easier and faster to get the product from Scandinavian countries than from the United States.

The Netherlands

Traditionally the Netherlands has been an important export market for U.S. aquaculture products.

In 1983, the United States had 20.6 percent of the Dutch import market but this share dropped to 16.2 percent in 1984, mainly due to sharp declines in U.S. sales of canned salmon.

The market potential for eel and tropical and ornamental fish is excellent; for salmon, good to excellent; and for catfish and trout, limited at best. The Netherlands also purchases a variety of U.S. shellfish.

Sweden

The Swedish market has good potential for U.S. aquaculture products, particularly salmon, salmonidae and crayfish. Imports of these items amount to about 10,000 tons a year.

There are special marketing opportunities for U.S. crayfish in this market. Sweden now depends on imports of this traditional food item, which once was widely caught locally, because domestic supplies have been substantially reduced by a disease problem.

A U.S. catfish team which visited Sweden in 1982 found little market potential because of the high price of U.S. catfish, its unfamiliarity and the already well-supplied Swedish market for fish.

NMFS and FAS assist exporters in identifying foreign market opportunities and trade barriers, sponsor sales missions, participate in trade shows and have staff stationed around the world to promote sales of U.S. products.

NMFS also inspects fishery commodities for export, and issues U.S. Government certificates on its findings.

Earlier this year, fish and fish products were added to the list of commodities eligible for Commodity Credit Corporation credit. As a result, $3 million in credit guarantees has been extended to help Egypt buy 3,800 tons of U.S. mullet.

Through a cooperator agreement with the Catfish Farmers of America, FAS is helping to develop markets and promote catfish abroad.

Market development activities have included menu promotions, product samplings and cooking demonstrations for consumers and for the hotel and restaurant trade.

Efforts are underway within the U.S. aquaculture industry to develop a national aquaculture export council to pool funds and expertise to build export markets.

Opening new markets and maintaining existing ones will be a challenge for U.S. aquaculture but there is reason to be optimistic that these efforts will pay off in export sales. ■

The author is with the Dairy, Livestock and Poultry Division, FAS. Tel. (202) 447-4884.

Spain

Spain, with one of the highest per capita levels of fish consumption in the world, offers good market potential for U.S. aquaculture exports.

Spain has been a net importer of fish since 1977 due to restrictions on traditional fishing grounds. Imports have accounted for about 20 percent of consumption since 1980.

Spanish consumers value high-quality fish, frequently paying a premium to bring in certain species fresh by air from as far away as Chile and Singapore. However, it is difficult to introduce new species.

The market potential for salmon is good. Spain now imports frozen U.S. salmon for smoking. Fresh salmon is imported mainly from Norway and Denmark. These countries provide quick daily truck shipments of small amounts of salmon at relatively low prices. Upon completion of accession to the European Community, Spain's imports from Denmark will have the additional advantage of duty-free access.

Spanish importers of fresh salmon are interested in learning which U.S. salmon varieties are appropriate for the Spanish market, prices and other market information.

There also are some market opportunities for frozen salmon-trout for smoking and for crayfish. However, the outlook for trout sales is poor because of adequate domestic production and it is questionable for catfish because of unfamiliarity.

The primary constraints to sales of U.S. freshwater fish in Spain are competition from alternative suppliers, lack of product knowledge and awareness and lack of U.S. product identification. In addition, Spanish government policies have occasionally hampered imports.

Hong Kong

The market potential for U.S. aquaculture products in Hong Kong is moderately optimistic.

Per capita fish consumption is 37 kilograms, probably among the highest in the world, and there are no tariff or nontariff barriers.

The major constraints facing U.S. aquaculture products are a lack of product awareness and strong competition from local and other foreign suppliers. Hong Kong's fishing fleet supplies 90 percent of all fresh marine fish eaten and about one-half of all fish and shellfish consumed.

Hong Kong currently purchases U.S. frozen fish fillets, smoked fish, oysters, abalone and marine fish.

Chinese consumers, who account for over 95 percent of the population, have a strong preference for live or fresh products. However, the hotel and restaurant trade buys frozen fish products as well as fresh.

Singapore

Singapore produces only 25 percent of its fish requirements. The balance is imported. Fresh fish imports in 1984, principally from Malaysia and Thailand, totaled 33,000 tons valued at $19.5 million. Frozen fish imports totaled 34,000 tons, valued at $49 million. Approximately 60 percent of that was frozen tuna.

There is growing interest by hotels in catfish, salmon, lobsters and crayfish.

The principal constraints on U.S. sales to Singapore are the consumer preference for fresh fish and the competition from low-priced imports of fresh fish from Malaysia, Thailand and Indonesia. ■

Switzerland: Good Customer for Value-Added Products

By Mattie R. Sharpless

With its high standard of living and large influx of tourists, Switzerland is an extremely good market for expanding sales of U.S. foodstuffs, particularly value-added consumer goods and specialty crops.

In 1984, the United States held about 6.3 percent of the Swiss market with trade totaling $293 million. In total, the Swiss imported $3.3 billion in agricultural products.

Increased penetration of the bulk commodity market depends largely on Swiss domestic output, and the demand for imports of these products will vary from year to year.

In 1984, the United States had about 80 percent of the Swiss oilseed market; 34 percent of the cotton market; 40 percent of tobacco; 63 percent of rice; and 35 percent of the wheat market.

In specialty crops, the United States maintained about 70 percent of the raisin market; 60 percent of the almonds; about 40 percent of other tree nuts; 30 percent of the dried fruit; 9 percent of the fruit juices; and about 14 percent of the fresh grapefruits.

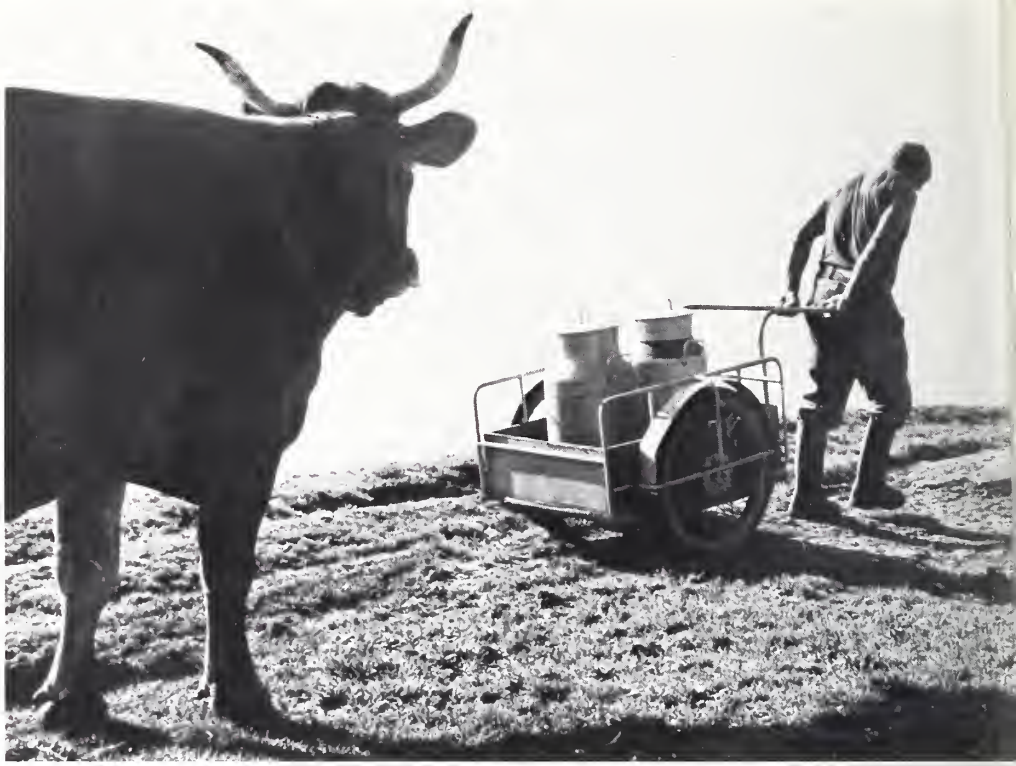
A Policy of Self-Sufficiency Should Not Deter Exporters

The Swiss agricultural sector is highly protected due to a policy of optimum self-sufficiency, which stems from Switzerland's having found itself at the mercy of foreign sources for food and fiber during two major world conflicts.

Switzerland is probably the only country in the world with a constitution requiring support for agriculture.

As a result of the policy, Switzerland, even in peacetime, maintains a national food stocking program. Maintaining and administering the program require close coordination between farm supports and controls on farm imports.

Despite the concerted effort, Switzerland is only about 60 percent self-sufficient in agricultural products. The ratio of self-sufficiency, however, varies by commodity.



Because of the topography of the country, Switzerland's agricultural output is limited to certain basic crops—bread and feed grains, potatoes, fresh fruit (excluding citrus), vegetables, sugarbeets and wine.

Switzerland is a major producer of cheese, fresh milk, pork, beef and veal. It is close to 100 percent self-sufficient in potatoes, pork, beef, veal, milk and cheese. Self-sufficiency in poultry, eggs and fresh vegetables averages about 50 percent.

The country is far from being self-sufficient in sugar, vegetables, fats and oils, feed grains and wines. While enough bread grains are produced domestically, poor quality compels importing significant quantities of soft wheat for blending.

Import Controls a Formidable Block

Switzerland maintains an extremely rigid import regime. Although import tariffs assessed on gross weight or on a unit basis are generally low, virtually every food and feed commodity that competes with domestically produced products is subject to rigid border restrictions.

Swiss National Tourist Office photos

On the other hand, Switzerland employs a rather liberal import regime for nonbasic agricultural foodstuffs like confectionery products, prepared ready-to-eat products, citrus products, nuts and other specialty crops.

Controls such as import licenses, quotas, supplementary import charges, import calendars and variable levies are imposed to protect the Swiss farmer.

For some commodities, such as beef, import licenses are issued on the condition that given quantities of domestically produced beef are purchased. In addition, veterinary restrictions are also imposed.

The importation of numerous agricultural products is handled by quasi-governmental organizations. Grains, for example, are imported by the Swiss Cooperative for Grains and Feeds.

Despite its rigid import regime and its policy of ultimate self-sufficiency, Switzerland is considered to be a major agricultural importer.

The major trade items have consisted of cotton, tobacco, poultry and poultry meat, feed grains, prepared foodstuffs, dried fruits, tree nuts, rice and fruit juices.

Who Fills the Swiss Larder?

Switzerland is not a member of the European Community (EC), but the EC is a major agricultural supplier (principally France, West Germany and Italy), along with other non-EC European countries.

Despite its relatively small share of the total market, the United States has been a traditional supplier of certain commodities. It will continue to be a source of supply as long as high-quality products are available at competitive prices.

While its agricultural policy is not designed to produce for export—with the exception of cheese, chocolates and certain prepared foodstuffs—Switzerland has developed a good business in importing raw materials and exporting finished products, making their profit from the value added.

Swiss National Tourist Office

Textiles, tobacco products, fur garments and food oils are examples of Swiss exports produced from raw materials principally imported from the United States.

Knowledge of Swiss Consumers Can Help U.S. Exporters Plan Strategy

Swiss consumers desire high-quality products and are willing to pay top dollar, as long as the price is not excessive.

Consumer eating habits are very conservative and vary widely in different parts of the country. For example, certain products may be consumed largely in the French or German areas of Switzerland but rarely eaten in the Italian area or vice versa.

Food items which should appeal to the overall Swiss consumer market are processed vegetables, dried fruits, edible offals, variety meats, frozen turkeys and ducks, high-quality beef, fresh fruits and berries.

Exporters should pay particular attention to labeling and packaging requirements, maintaining full compliance with Swiss Government regulations. Ingredients and measures and weights, in the metric system, must be shown in one of the three national languages—German, French or Italian. However, it is preferred that labels be in two of the national languages, depending upon the point of sale. Additive content for preservatives or coloring must also be shown on the label.

Most Deals Are Through Agents

Most Swiss imports of food items are handled by importing agents. However, Migros and Coop Schweiz, the country's two largest supermarket chain cooperatives, import numerous food items directly.

Swiss importers, agents and distributors have traditionally established long-term relations with their trading partners or suppliers. These agents often visit suppliers or attend international food shows and trade fairs to establish or maintain personal contact and to seek new-to-market products.

Personal contact is extremely important in introducing a new-to-market product or maintaining viability on the Swiss market. Unique, top-quality, novelty products should be successful with proper marketing and advertising. However, marketing and advertising require large financial outlays and risks are not usually taken unless the product has a high possibility of being successful. Importing firms usually specialize in the distribution of small groups of related commodities.

Most traders, private industry representatives, agents, marketers and distributors involved in international trade have an excellent command of the English language. Thus, language barriers for doing business in Switzerland should pose little or no problem for the U.S. exporter. ■

The author is the U.S. agricultural attache in Bern, Switzerland.

Fact File

Export Incentive Program: Sharp Focus on the Retail Market

The Department of Agriculture's Export Incentive Program, or EIP as it is commonly called, helps private U.S. firms promote agricultural consumer products overseas.

Developed in 1969 as an alternative to generic promotion programs within USDA, EIP provides limited export promotional support to horticultural industries for which cooperator market development agreements are not suitable. The EIP is more sharply focused than the cooperator program, targeting the export promotion of branded U.S. agricultural products at the retail level. Partial reimbursement of promotional expenses in generally determined not only by the level of expenses but also by a firm's export performance.

Horticultural products currently eligible for export promotion assistance are citrus from California and Texas, almonds, walnuts, prunes, canned corn, fresh lettuce, cranberries and honey. As of early August, some 16 U.S. firms had contracted with the Foreign Agricultural Service (FAS) to promote these products through the EIP in foreign markets.

A program can become available only when the majority of industry members seek assistance together. However, at the suggestion of a single firm, FAS can contact others in the industry who might be willing to join in a coordinated export effort provided a solid case for an EIP is made. A program may be proposed by either a U.S. firm or FAS.

Criteria for EIP Program

Approval of an individual program is based on several criteria. These include:
- Probable success in maintaining or increasing consumption of U.S. products in selected foreign markets;
- Importance of particular exports to the industry involved;
- Long-range contributions to the level of U.S. agricultural exports and balance of payments;
- Level of foreign competition in export markets and the degree of market access; and
- Availability of FAS funds.

The amount of reimbursement is determined by the level of gross export sales and the extent of the company's promotional activities.

After a firm's application for participation is approved, it enters into an EIP agreement with FAS. The agreement contains specifics on the duration of the contract (normally three years), eligible commodities, targeted countries and promotional activities, maximum level of FAS funds, an equal opportunity clause and a payment formula.

A typical payment formula provides that FAS will reimburse the firm on the smallest of three possible amounts: (1) one-half of the promotional expenses in eligible countries; (2) the maximum funding specified in the contract, or (3) 5 percent of the value of the firm's export sales in activity countries. Claims for reimbursement are made once annually after the marketing year has ended.

Guidelines on Reimbursements

Promotional activities eligible for reimbursement include the costs of media advertising, production and distribution of promotional materials, trade fair participation and in-store promotions. Expenses not eligible include salaries, travel expenses, selling costs, prizes, price-offs, capital expenditures and entertainment expenses.

All products promoted by the firm—as well as all advertising and promotion copy—must prominently display a registered brand of the participant as well as the words "United States," "USA," or the U.S. state of origin. This requirement ensures that foreign consumers are aware that the promoted products are from the United States.

For more information on the EIP, contact: Gilbert Sindelar, Director; Horticultural and Tropical Products Division; Foreign Agricultural Service; U.S. Department of Agriculture; Washington, DC 20250. Tel: (202) 447-6590.

Protein Gap in Feeds Suggests Continued Soviet Soybean, Meal Imports

By Steven D. Yoder

The Soviet Union has an acute deficit in proteins for livestock feeding—suggesting that soybean imports can be expected to continue at significant levels.

Soviet imports of soybeans have averaged 1.0 million metric tons in recent years while soybean meal imports have averaged 1.3 million tons. Soybean meal imports have regressed as proper storage and handling facilities for meal have proved to be inadequate. However, with improved infrastructure and facilities, soybean meal use may turn upward again.

These are among the most significant findings of a recent trip to the Soviet Union to assess the development of that country's mixed feed industry—and its market potential for U.S. exporters.

Protein Gap Could Widen

Soviet officials indicate that protein supplies have been about 3-4 million tons (100 percent digestible protein basis) short of the Soviet feed industry's needs in each of the last few years. As a consequence, Soviet herds and flocks have not been receiving the rations recommended by Soviet animal nutritionists—and this has depressed rates of gain and slaughter weights for hogs, cattle and broilers.

At this time, the Soviets are feeding between 41 and 42 million tons of proteins from all sources annually. However, protein feeding will have to increase to 55 million tons by 1990 if the Soviets hope to meet their goal of producing 20.0-20.5 million tons of red meat and poultry.

Domestic Feeds Emphasized in Current Feeding Strategy

The near-term Soviet feeding strategy relies heavily on domestically produced feeds, despite the recognized need for additional proteins.

Hay, haylage, silage, legumes (especially field beans) and high-moisture corn have recently received government incentives—and officials anticipate enough roughages and mixed feeds to maintain USSR animal inventories during the present feeding season.

Black Star

Soviet officials point to expanded quantity and quality of this production to partially compensate for continued protein meal deficits.

Mixed Feed Production Meets Target

Mixed feed production in the USSR met the planned goal of 63 million tons in 1984. (Another 7 million tons of mixed feeds were produced and used on-farm.) The long-term goal is to produce 110 million tons of mixed feeds annually.

Roughly a third of the 1984 total was for poultry, 15 percent for cattle and most of the rest for hogs. Minor amounts were used for fish, fur-bearing animals and for feeding wild game animals. Fish production on the basis of extruded feed is expanding rapidly.

How Rations Are Formulated

Feed rations are formulated on the basis of computer-generated recommendations that take into account whether ingredients are available. The USSR started using computers for feed formulations in the mixed-feed industry in Minsk 15 years ago with computers imported from Ireland. Production considerations include the availability of raw materials, prices and special needs of the end users. Rations are prescribed by the Ministry of Agriculture, which must approve of any deviation or substitution for missing components.

Single-Celled Protein Use Slows

The highly touted campaign to feed single-celled protein (referred to as microbiological protein by the Soviets) has slowed because of concern about possible toxic or carcinogenic effects and its cost of production.

The protein content of this hydrolized yeast ranges from 40 to 50 percent (digestible basis) and it costs about the same or a little less than oilseed meal. Production presently is at the rate of 4 million tons annually and output is planned to peak at 4.5 million tons in a few years. ■

The author, formerly with the Oilseeds and Products Division, is now with the Grain and Feeds Division, FAS. Tel. (202) 447-2009.

Country Briefs

Canada

Large Two-Way Horticultural Exists Trade With U.S.

Canada leads all markets for U.S. horticultural exports. In 1984, Canada imported $1.8 billion worth of horticultural products, about two-thrids of which came from the United States. Overall, I984 imports increased 13 percent in value; imports from the United States were up 10 percent.

More than half the total was fresh fruit and vegetables, where the United States has the Largest market shares—77 and 91 percent, respectively. Leading commodities included table grapes, citrus fruit, tomatoes, potatoes and celery. Fruit juices and concentrates, the next largest category, were some of the fastest growing import items, although the U.S. share of the Canadian import market slipped slightly in I984. Wine imports also rose, although the U.S. market share was only about 4 percent. On the other hand, the United States regained lost market shares in canned and frozen fruits. Tree nut imports, especially almonds, held fairly steady. Purchases of nursery products, including cut flowers, continued to increase.

The flow of horticultural products is not one way. In 1984, the United States imported $329 million worth of horticultural products from Canada, a 17-percent increase over 1983. Beer accounted for about 40 percent of the total. Other sizable U.S. import items were potatoes, potato products and apples. Overall, the balance of trade in horticultural products was much in favor of the United States. *—Ralph Gifford, Horticultural and Tropical Products Division, FAS. (202) 447-6877.*

China

Emphasis on Lean-Meat Hogs Offers Opportunities for U.S.

The predominant trend in China's livestock sector is its increasing commercialization. One-sow households and backyard chicken raising is giving way to specialized production by households enjoying a comparative advantage in livestock raising. The increasing sophistication of diets, coupled with income growth, has put pressure on producers to market higher quality meat and employ more scientific livestock raising techniques.

Considerable emphasis is being placed on the expansion of the lean meat hog sector. Government plans call for 75 million lean meat pigs to be marketed annually by 1990, or roughly 25 percent of planned pig slaughter. Ministry of Agriculture officials indicate imports of foreign breeding stock will play a key role in increasing lean meat production.

Ideally, imported hogs displaying fast-maturing characteristics and high lean meat ratios will be crossed with local breeds, known for their large litter sizes, high levels of disease resistance and gentle temperament. The Chinese have expressed interest in many breeds including Landrace, Duroc, Hampshire and Chester Whites.

Sales of U.S. swine to China during the last half of 1984 and the first half of 1985 total close to 1,000 head. Joint venture projects in swine producing areas also seem viable, especially those in which products can be exported. *—David M. Schoonover, Agricultural Counselor, Beijing.*

Poultry Sector Surge Expands Markets for Breeding Stock

Officials in China's Ministry of Agriculture claim the poultry sector is the fastest growing segment of the livestock sector—and statistics from the State Industrial and Commercial Administration do indicate a real surge in poultry and egg production. For example, egg transactions on the free markets in 70 Chinese cities totaled 68 million kilograms in the first half of 1985, up 62 percent from the same period the year before. The number of poultry birds in the country totaled 2.34 billion kilograms in 1984, an 18-percent increase over the previous year. And officials who surveyed use in 45 Chinese cities found that poultry consumption per capita increased to 2.3 birds last year, up from 1.4 in 1983. Egg consumption rose to 8.2 kilograms from 5.5 kilograms.

Developments in certain cities have been even more dramatic. Eggs sales in Shanghai topped 47 million kilograms during the first half of 1985, a 23-percent increase over the first half of 1984. Beijing's residents now enjoy a per capita egg consumption level of 17.4 kilograms, or roughly double the national average.

Officials claim the large jump in poultry production is due primarily to readjustment in purchase and sale prices and the introduction of additional purchasing channels. Both large-scale state-run complexes and household-run enterprises have been successful in raising poultry profitably.

For example, there are over 13,000 individual households specializing in poultry in Hainan County, Jiangsu Province alone. The new Dadongliu chicken production complex on the outskirts of Beijing covers an area of 67 hectares, and produces 10 million meat chickens annually. It also has the capacity to incubate 10 million chicks.

However, the spread of more advanced chicken-raising techniques has also had a marked impact on production. For example, China's rapidly growing compound feed industry has until now mainly serviced the poultry industry. Most of the emphasis has been placed on the layer industry, but future attention will be devoted to the broiler industry.

Demand for leaner meat has increased demand for chicken meat, as well as lean meat pork and beef. It is also probable that the ratio of chicken meat production to total meat production will rise above the current low level of 7 percent. The poultry sector seems to offer good opportunities for both sales of breeding stock and joint ventures. *—Norman R. Kallemeyn, Agricultural Counselor, Beijing.*

Egypt

Market for Forest Products on the Upswing

Egypt is a growing market for forest products. Because of a rapidly growing population and increasing incomes, Egypt has experienced a sustained building boom over the last several years. This has led to a dramatic increase in wood imports over the last decade.

Softwood lumber is the main type of lumber used in Egypt and all of it is imported. At this time, the main suppliers are Finland and Sweden, although a substantial amount also comes from the Soviet Union under a trade agreement. Use is generally in construction. Very little softwood is actually incorporated into the structural frame of buildings, but is used primarly for window and door frames and for flooring. Approximately 70 percent of the wood used for finishing is pine, with most of the rest spruce and fir.

Temperate hardwoods have been imported mainly from Eastern Europe. Hardwood lumber is used largely for furniture making and for flooring and doors. Beech accounts for over 90 percent of the temperate hardwood used, with the rest being evenly split between oak, ash, and hornbeam.

To date, wood imports from the United States have been relatively small ($6.2 million in 1984) because the Egyptian trade is generally more concerned with price than with quality. However, a strong U.S. wood market development program, coupled with active contact by the U.S. trade, could help increase U.S. participation in this significant market. *—Gerald Harvey, Agricultural Counselor, Cairo.*

Kenya

Record Tea Output In Prospect

Tea production is expected to reach a new historic high of over 135,000 metric tons in 1985, exceeding the earlier record of 119,700 set in 1983. Kenya's Tea Development Association has been encouraging farmers to use fertilizer and employ better picking methods in order to improve both output and quality of tea. In light of the prospective bumper output and large carryover stocks from 1984, tea exports this year are expected to climb to 120,000 metric tons.

Kenya is the world's fourth largest producer and exporter of tea after India, China and Sri Lanka and accounts for more than a tenth of world exports and nearly half of Africa's tea exports. In addition, Kenya produces one of the finest teas used by packers to improve blends.

Kenya's share of the world market is concentrated in eight major countries which absorb about 95 percent of the country's total exports. The United Kingdom, the world's largest tea importer, is Kenya's main customer, taking about 50-55 percent of total exports. It is followed by Pakistan with 22 percent and Egypt with 9 percent. Other important buyers are the United States, Ireland, Canada, Netherlands and Sudan. In recent years, Islamic countries also have emerged as significant importers due to increased tea consumption as a substitute for alcoholic drinks. *—Harold L. Norton, Agricultural Attache, Nairobi.*

Japan

U.S. Faces Competition From Denmark for Tenderloin Sales

Denmark has fully recovered from the effects of its foot-and-mouth disease outbreak during 1982/83 and has recaptured the position of top pork supplier to Japan. Even as imports climbed to a record high of nearly 196,000 metric tons (product weight basis) in 1984, the U.S. share of the Japanese market slipped from roughly 21 percent in 1983 to a little under 12 percent last year. At the same time, Denmark's share bounced back from roughly 11 percent to over 38 percent.

Denmark's recovery is significant not only in terms of volume recaptured but also because it has added tenderloins to its list of major pork items for export to Japan. This is a high-value market niche that has traditionally been held by the United States and more recently Taiwan. Up to now, Denmark has exported three categories of pork to Japan: shoulders, bellies and loins. Most of these items are further processed in Japan.

According to industry sources, the Danish campaign is budgeted at about 15 million yen—with one-third earmarked for recipe leaflets for consumers and the remainder divided among participating meat processors. These cash grants reportedly are unconditional—and it is up to the recipients whether to use them to subsidize retail prices, to set up taste samplings or to undertake other promotional efforts. Most major supermarket chains have been participating and periodically offer special sales on Danish pork tenderloins.

It is uncertain how long Denmark will fund this program and what, if any, new price and quality incentives it may initiate. Nevertheless, defending and developing the Japanese market for U.S. pork tenderloins will require long-term U.S. marketing efforts. *—Bryant Wadsworth, Agricultural Counselor, Tokyo.*

Korea

Experimental Beef Cut Identity System in Place

Butcher shops in Korea's two largest cities, Seoul and Pusan, are being encouraged to adopt a new pricing system which differentiates beef prices by cattle breed and cut.

Up until now, Korean butchers have charged a single price for beef, generally sold on a boneless basis. Korean authorities had been looking into alternatives to the single-price marketing system since early 1984, in recognition that it was an impediment to breeding and feeding for improved carcass quality and to efficient meat marketing.

In Korea, the primary source of beef in the past has been spent draft animals, and since beef has always been a relatively expensive food, traditional cooking has emphasized small amounts of meat cut up into thin pieces before grilling or boiling for a long time. For this reason, there has not been great demand for the superior muscle cuts, or for tender, marbled steaks. Also, since almost the entire animal is considered usable by household consumers, there is little in the way either of a processing or a rendering industry.

The new system was developed with technical inputs from a number of sources, including a June 1984 visit by meat grading specialists supported by the U.S. Meat Export Federation and USDA. Primarily designed to promote a more rational beef marketing structure, the revised price structure may also increase consumer awareness of beef quality and so heighten demand for higher quality beef like that exported by the United States.*—Donald B. Conable, Agriicutural Counselor, Seoul.*

Peru

Import Restrictions Won't Hit U.S. Too Hard

The Peruvian government is now requiring licenses for the import of some 1,786 agricultural and industrial products. Virtually all food products come under this decree, which was announced last August. Previously, import licenses were required for only 35 agricultural items, mainly bulk commodities such as grains, vegetable oils, dry milk and sugar.

The latest import restrictions are not expected to have much impact on the overall value of U.S. agricultural exports to Peru since over 90 percent of the products we sell in that market were already under license. The great bulk of U.S. sales to Peru are wheat, corn and soybean oil, which not only have been under licenses, but are controlled through ENCI, the state trading company, and are subject to annual import quotas.

The recent restrictions are in line with the government's aim to limit imports to essential products as a result of the enormous external debt problem facing Peru. They probably will close the door to imports of high-value processed food products. However, U.S. exports of these items already were very small, because of import duties of over 100 percent and the declining consumer purchasing power in the country. *—Kenneth L. Murray, Agricultural Attache, Lima.*

Singapore

Frozen Chicken Imports Grow, As Does Competition

Singapore's imports of frozen chicken increased dramatically during 1984, up more than 30 percent from the year before. The Netherlands continued to dominate the market for frozen whole chicken, while the United States was the principal supplier of frozen chicken parts. Such new suppliers as China and Thailand also continued to make progress in the Singapore market. The government remains on the lookout for new sources of frozen meat and it is likely that the Philippines will soon be supplying first frozen chicken and subsequently frozen pork to Singapore.

In the past, a substantial percentage of imported frozen chicken was re-exported to Indonesia and East Malaysia. However, with increasing restrictions against transshipments by these two countries, it is anticipated that the re-export trade will decline in 1985.*—James Y. Iso, Agricultural Officer, Singapore.*

Pig Farm Phaseout Depresses Pork Prices

The government is proceeding with the first phase of its previously announced plan to eliminate all pig farms in Singapore by 1988. As smaller farms have gone out of business, pig slaughter has been very heavy and prices of fresh pork have fallen dramatically during the past 12 months. The low fresh pork prices, along with continued consumer resistance to frozen pork, have blunted the rise in imports of frozen pork by Singapore.

Singapore farmers are still producing about 85 percent of the country's pork requirements. However, when the phaseout of pig farms is complete, Singapore will be totally dependent on frozen pork.

Because Singaporeans still lean heavily towards a preference for fresh pork, the government is considering several alternatives to the consumption of frozen meat. One proposal would establish a holding station on an island off Singapore for the import of live pigs from ASEAN countries. Singapore is also exploring other sources of live pigs—Indonesia, in particular—besides the traditional supply sources of Malaysia and Thailand. *—James Y. Iso, Agricultural Officer, Singapore.*

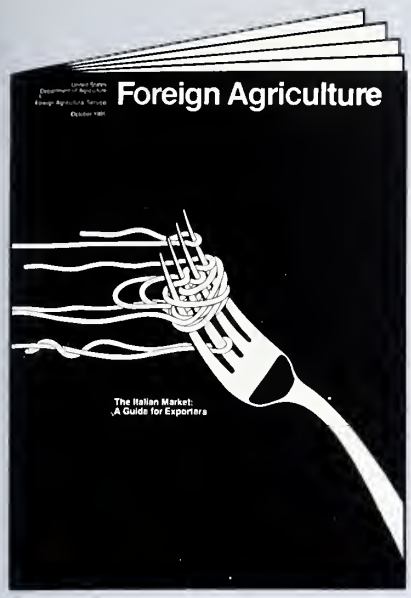
Thailand

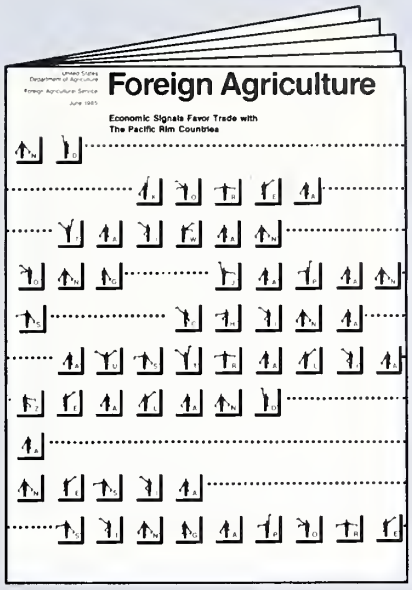
Broiler Sales to Japan Intensify Competition for U.S.

During the past decade there has been a phenonmenal growth in the commercial broiler industry in Thailand. In the early 1970's, most farmers grew a small number of chickens primarily for on-farm consumption and no poultry meat was exported. However, between 1974 and 1985 broiler production increased 11-fold, from an estimated 36 million birds to 397 million. During the same period, Thailand's broiler industry emerged as one of the most modern in Southeast Asia. In 1984 Thailand was the seventh largest exporter in the world and the eleventh largest producer. Earnings from broiler exports in 1984 totaled $61 million.

Japan is the major importer of Thai poultry meat. Thai exports to Japan are mainly high-value, cut-up boneless meat. Thailand's share of the Japanese market climbed rapidly to a record-high 31 percent of all broiler meat imports in 1982. However, since that time, more competitively priced broilers from the United States and Brazil have trimmed Thailand's share back. The Thai share of the Japanese market in 1983 and 1984 was 21 percent and 28 percent, respectively.

Although production costs in Thailand are reportedly significantly higher than in the United States (due to high margins by domestic oilseed crushers, relatively expensive fish meal, and a 6-percent import duty on soybean meal imports), Thailand is able to compete in the Japanese market because of its lower transportation costs and lower labor costs which allow further processing. However, advances in automatic cut-up machines may help reduce U.S. processing costs and make U.S. deboned chicken more competitive in the Japanese market.*—Thomas M. Slayton, Agricultural Attache, Bangkok.*





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